

## FISCAL NOTE

### SB 2946 - HB 3172

February 14, 2000

**SUMMARY OF BILL:** Amends the retirement law by increasing the maximum allowable cost-of-living increase which is currently established at 3%. In order for the cost-of-living increase to exceed 3% in a given year, there must have been an increase in the Consumer Price Index for the preceding year of 4% or more. If this occurs, the cost-of-living increase would be equal to 3% plus  $\frac{1}{2}$  of the difference between the actual percentage increase in the Consumer Price Index and 3% but not greater than 8%. The bill is optional to political subdivision employers.

#### ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$135,450,000 Annual Amortized Cost**

**Increase Local Govt. Expenditures\*:**

**\$54,800,000 Annual Amortized Cost**

**\$31,250,000 Annual Amortized Cost/Permissive**

**Other Fiscal Impact – Increase Federal/Other Expenditures:**

**\$17,750,000 Annual Amortized Cost**

Estimate assumes:

- Total lump sum pension liability to state government of \$2,133,460,000.
- Annual amortization cost assumes a 20-year lump sum liability.
- K-12 teachers assume a 60%-40% ratio between state and local funding.
- An additional 1% increase in the cost-of-living for retired members.

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

#### CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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